



PUBLIC HEARING:

Joint Standing and Select Committees on Finance

28 February 2024

Budget 2024

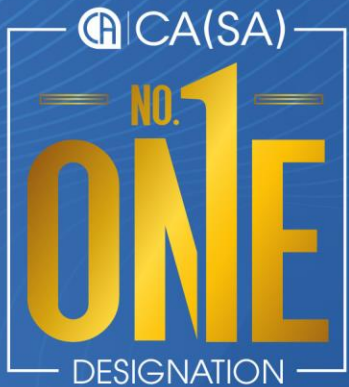
REFLECTIONS

#SABudget_2024



PRESENTED BY:
Mr. Lesedi Seforo
Mr. Pieter Faber

- 01** Credibility of the Budget
- 02** Accountability
- 03** Debt stabilisation
- 04** Economic growth - Infrastructure
- 05** SARS operational model



Budget 2024 REFLECTIONS

#SABudget_2024

1. Credibility of the Budget

PRESENTED BY:
Mr. Lesedi Seforo
Mr. Pieter Faber

OVERVIEW



*The truth is often first ridiculed,
then opposed and finally accepted
as self-evident*

President Cyril Ramaphosa SONA 2019

*When there is no plan, the
Budget becomes the plan.*

Michael Sachs 23 February 2024

REFLECTIONS

#SABudget_2024

CREDIBILITY OF THE BUDGET



Strength of the PLAN



REFLECTIONS

#SABudget_2024

National Treasury Macro Economic Policy Review



A consequence of these factors is that a large structural deficit has emerged between governments' spending commitments and its revenues. What this means in practice, is that, while the medium-term objective of debt stabilisation has remained intact throughout the period, the achievement of that objective has been repeatedly deferred. As a result of this pattern, the composition of spending has moved away from capital expenditure, and the debt to GDP ratio has increased to a level that was never proposed as government policy, and is, if anything, antithetical to stated policy goals. This, in turn, has impacted the credibility of the fiscal framework which has had the secondary effect of putting upward pressure on government's costs of borrowing.

Addressing these challenges requires government to consider (inter alia) reforms that strengthen the credibility of governments fiscal policy and its ability to deliver on its stated policy objectives. These include:



CREDIBILITY OF THE BUDGET



- ☐ Not all current and reasonably expected expenses in the budget
- ☐ SoE's not realistically budgeted for
- ☐ Municipalities not fiscally sustainable or budgeted for
- ☐ Wage agreements still agreed and implemented after the fact
- ☐ Lack of accountability

Execution of the PLAN



CREDIBILITY OF THE BUDGET

15 years of

Reckless
spending



GDP decline

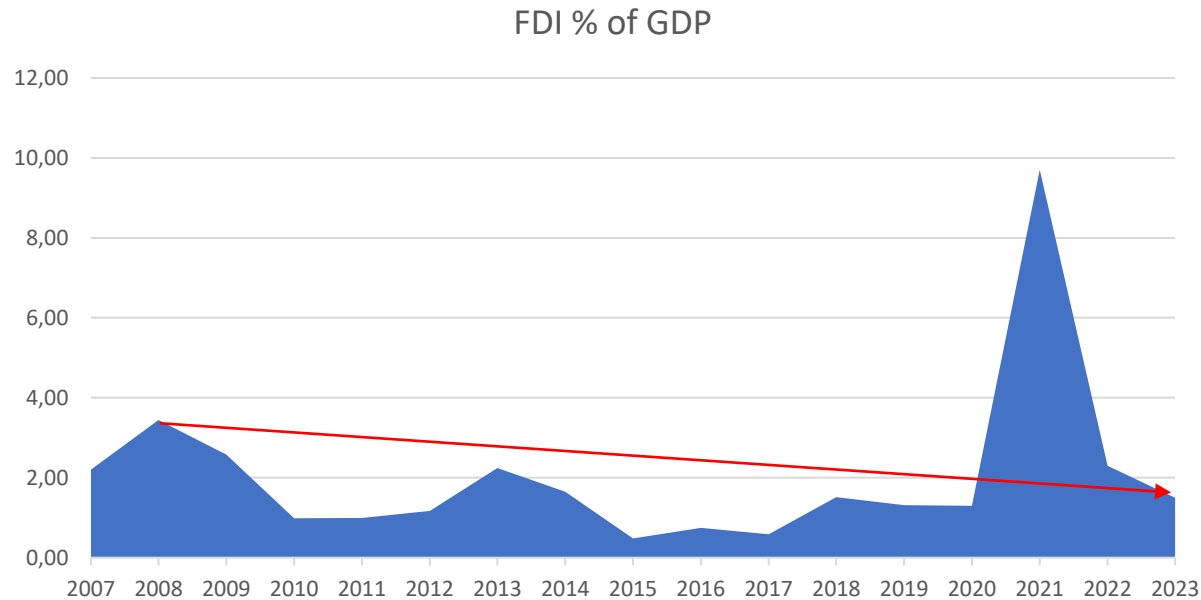
Reckless
borrowing

Unemployment



SELF EVIDENT TRUTH: AUSTERITY is a consequence of bad policy execution.

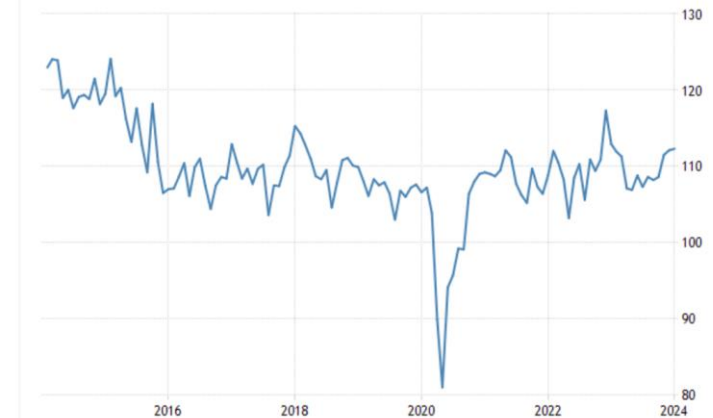
CREDIBILITY OF THE BUDGET



South Africa SACCI Business Confidence Index

Summary Stats Forecast Calendar Alerts

1Y 5Y 10Y MAX

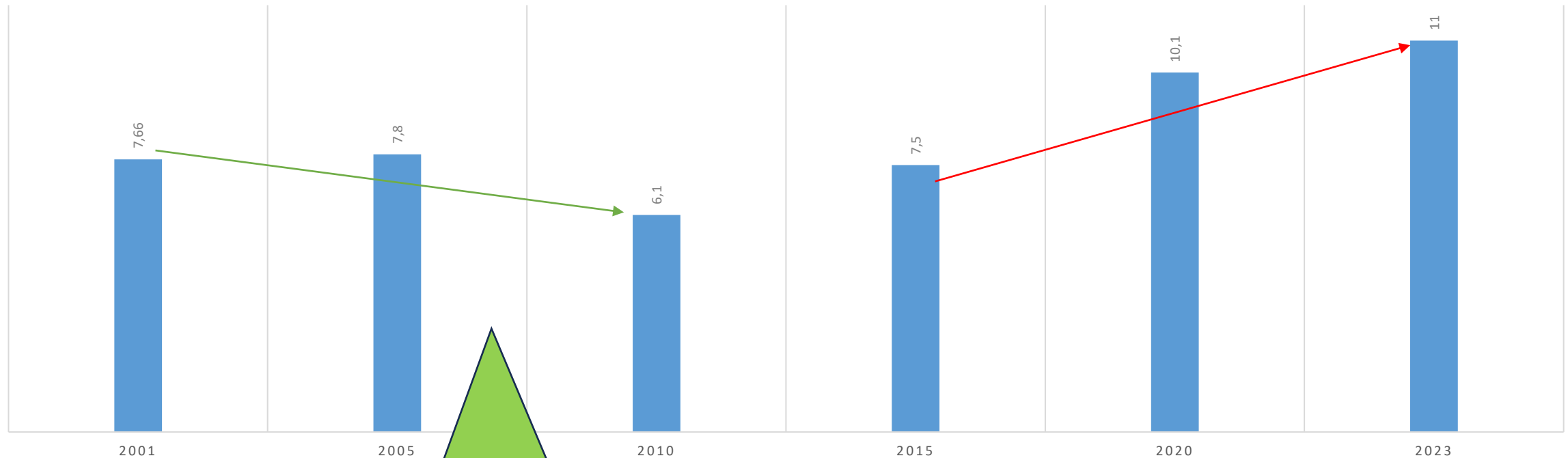


Vote of NO CONFIDENCE

REFLECTIONS
#SABudget_2024

CREDIBILITY OF THE BUDGET

UNEMPLOYED: IN MILLIONS



Policies that work

Policies that don't work

REFLECTIONS

#SABudget_2024

CREDIBILITY OF THE BUDGET

RECOMMENDATION

Budget
2024

❑ Not all current and reasonably expected expenses in the budget

SAICA submission pg. 26

❑ SoE's not realistically budgeted for

SAICA submission pg. 28

❑ Municipalities not financially sustainable or budgeted for

SAICA submission pg. 28

❑ Core infrastructure underspending/underbudgeting

SAICA submission pg. 48

❑ Wage agreements still agreed and implemented after the fact

SAICA submission pg. 26

❑ Unrealistic estimates of expenditure and debt

SAICA submission pg. 27

❑ **Lack of accountability**



REFLECTIONS

#SABudget_2024



SAICA

DIFFERENCE
MAKERS™



Budget 2024 REFLECTIONS

#SABudget_2024

2. Accountability

The recommendations will feed into Eskom's corporate plans to bolster accountability and oversight

- We are reviewing institutional arrangements and governance for catalytic infrastructure. The intention is to create clearer mechanisms for accountability, cooperation and coordination.

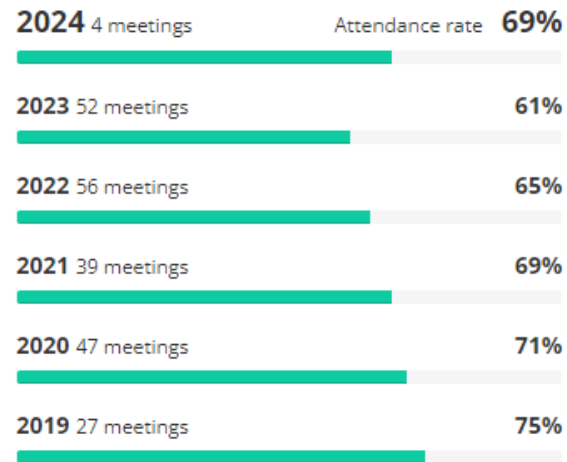
These reforms include improving the transparency of guarantees for better monitoring and accountability and using guarantee conditions to raise operational efficiency and reduce financial reliance on government – such as by requiring cost optimisation and private-sector participation.



ACCOUNTABILITY

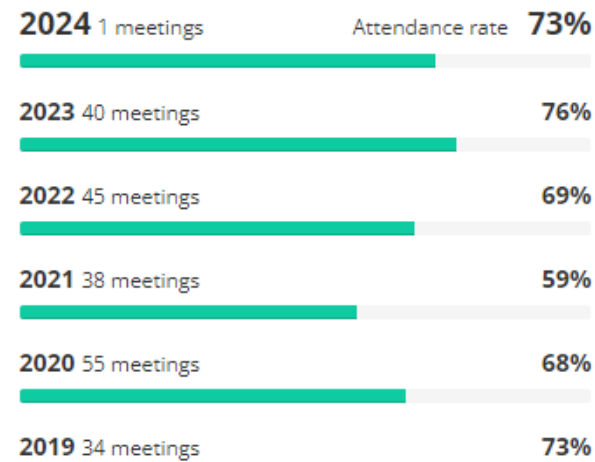
Standing Committee on Finance

Attendance Ranked 82 out of 193 for NA



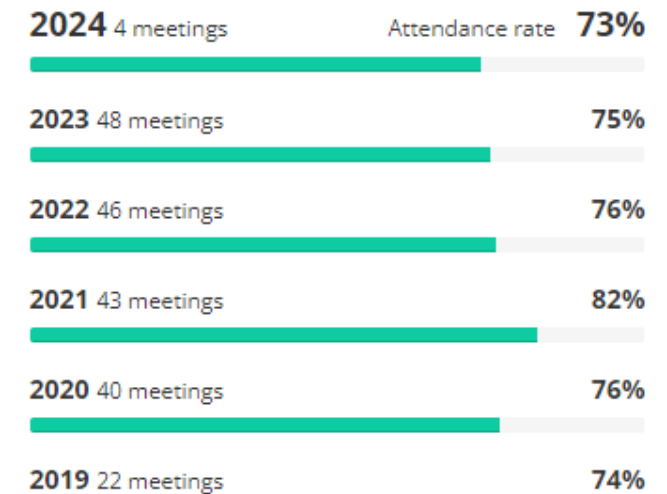
Standing Committee on Appropriations

Attendance Ranked 69 out of 193 for NA



Standing Committee on Public Accounts

Attendance Ranked 19 out of 193 for NA



**“Austerity” but still enough money
for.....**

- ❑ **R 4,1 bn for VIP protection for politicians i.e. 3,5% of Police Budget Appropriation**
(2019: R3,1 bn or 32% increase over 5 years)
- ❑ **R200m more for current political parties**

Is this
Constitutional
accountability
and oversight
by Parliament?

ACCOUNTABILITY

- ❑ Parliamentarians' accountability
- ❑ Minister's accountability
- ❑ Municipal councillors' accountability for weak Auditor General outcomes
- ❑ Public sector workers accountability for productivity & value for money
- ❑ SARS' accountability for services to taxpayers and tax practitioners

RECOMMENDATION

SAICA submission pg. 5

Ministerial contract enforcement

SAICA submission pg 46

SAICA submission pg 41

SAICA submission pg 32



Budget 2024

REFLECTIONS

#SABudget_2024

3. Debt Stabilisation

DEBT STABILISATION

The rapid increase in indebtedness, together with the slow pace of economic growth, has impacted on South Africa's creditworthiness, as reflected in deteriorating sovereign risk ratings. Increased sovereign risk has become a brake on growth by reducing investment.

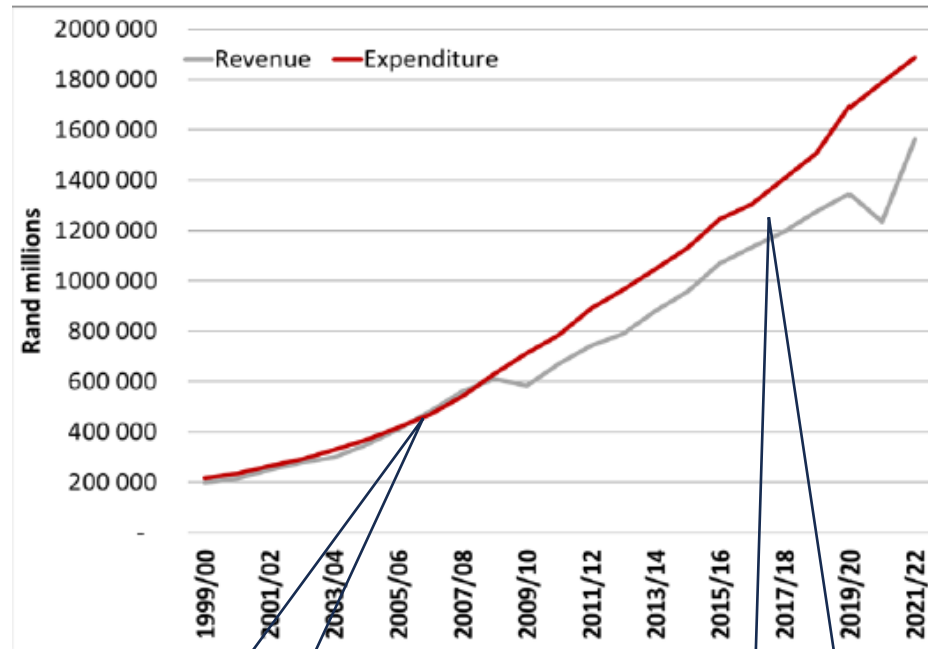
However, in a context where existing strategies have not stabilised the debt ratio, adoption of a fiscal rule that commits government to achieving fiscal sustainability in a transparent and accountable way should be closely considered.

To mitigate the rise in debt, fiscal consolidation – which seeks to reduce the differential between government's revenues and its spending – has been a policy goal since 2013.

This strategy – which has often been mischaracterised as “austerity” and criticised for itself being the cause of slowing growth – has not succeeded in stabilising debt levels

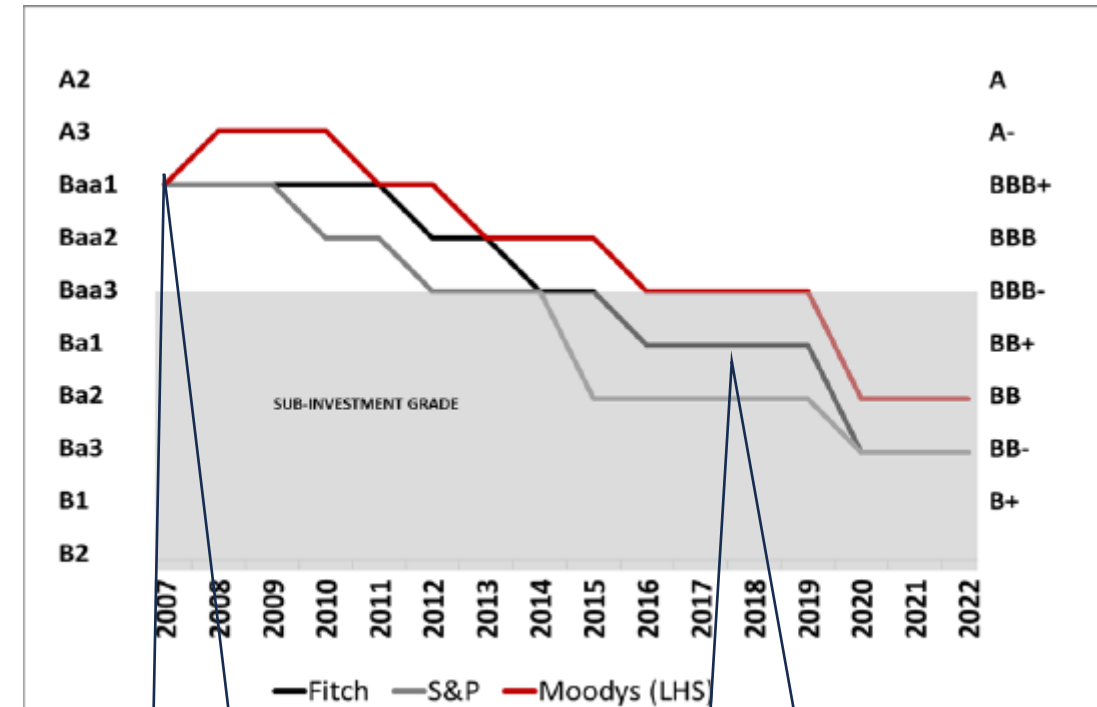


DEBT STABILISATION



Responsible
debt

Irresponsible
debt



Responsible
policies

Irresponsible
policies

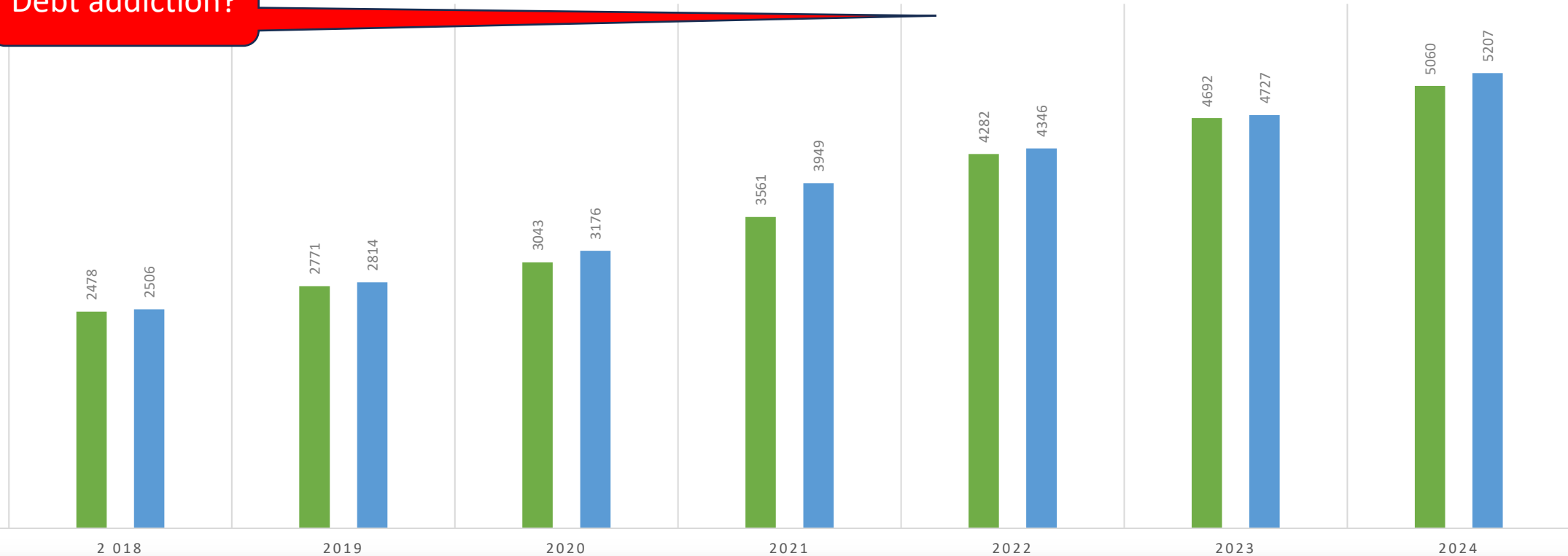
DEBT STABILISATION



DEBT: ESTIMATE VS ACTUAL

■ Estimated DEBT ■ Actual DEBT

Debt addiction?



DEBT STABILISATION



SOUTH AFRICAN RESERVE BANK
Financial Markets Department

GFECRA is a R500bn unused cash pile

THEORY

REALITY



	31 January 2024 (US\$ millions)	31 December 2023 (US\$ millions)	Change ⁽¹⁾ (US\$ millions)
Gold reserves	8 219	8 339	(120)
SDR holdings	6 240	6 297	(57)
Foreign exchange reserves ⁽²⁾	46 729	47 882	(1 153)
Gross reserves	61 188	62 518	(1 330)
Foreign currency deposits received ⁽³⁾	(5 035)	(6 126)	1 091
Forward position ⁽⁴⁾	509	508	1
International liquidity position (ILP)	56 662	56 900	(238)

DEBT STABILISATION

- ☐ Stabilise debt, not debt / GDP ratio
- ☐ Budget for surplus not primary surplus
- ☐ Review quality of debt guarantees
- ☐ Review fiscal exposure to municipal debt
- ☐ Apply Constitutional Treasury Control earlier
- ☐ GFECRA realisation is misguided

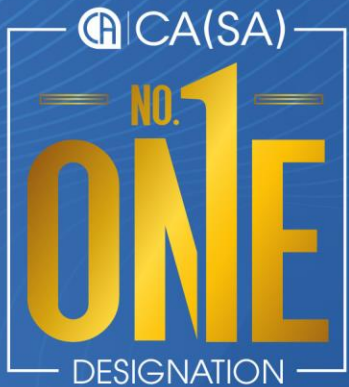
RECOMMENDATION

SAICA submission pg. 16

SAICA submission pg 28

SAICA submission pg 29

SAICA submission pg 43



Budget 2024

REFLECTIONS

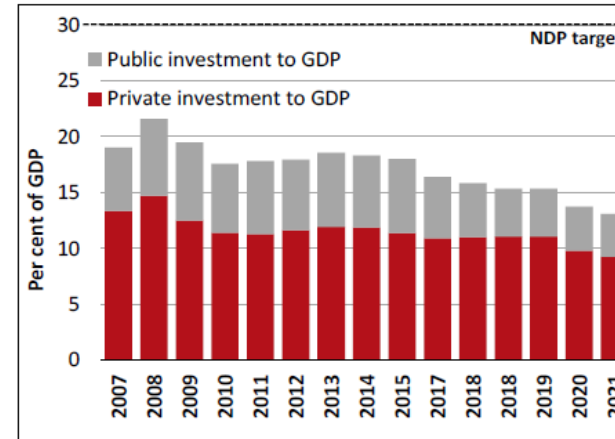
#SABudget_2024

4. Economic growth / Infrastructure

Explaining SA's poor growth performance

One of the key ingredients for sustained rapid growth is a high level of investment, generally in excess of 30 per cent of GDP, a level that is a critical target of the National Development Plan (NDP). High levels of investment drive growth by raising aggregate demand, but also reflect economic agents' confidence in the future. Since 1994, however, investment has hardly ever reached 20 per cent of GDP. Worse, the investment rate has been falling since 2013. This is true of both the public and private sectors and is among the most important reasons for South Africa's declining growth, both on the demand and supply side of the economy: reduced investment contributes to lower aggregate demand, but also results in constrained production capacity and infrastructure, which limits

Figure 11: Public and private investments as a percentage of GDP



Source: SARB, NT calculations



CRISIS - WATERSHEDDING

ANNEXURE D

PUBLIC SECTOR INFRASTRUCTURE AND PUBLIC-PRIVATE PARTNERSHIPS UPDATE

Table D.1 Public-sector infrastructure expenditure and estimates

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	MTEF
R billion	Outcomes			Revised estimate	Medium-term estimates			Total
Energy	30.0	35.5	38.7	54.8	58.5	70.5	74.8	203.8
Water and sanitation	29.5	30.6	35.4	43.8	53.2	57.6	50.1	160.9

Funding Gap over the next decade

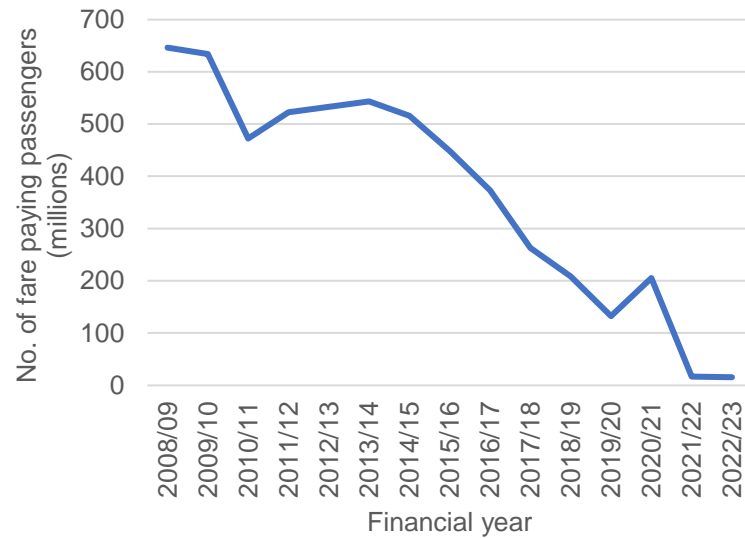
Funding Requirement	-	Funding Available	=	Funding Gap
• R 898 billion		• R 565 billion		• R 333 billion (37%)

Maintenance budget backlog management

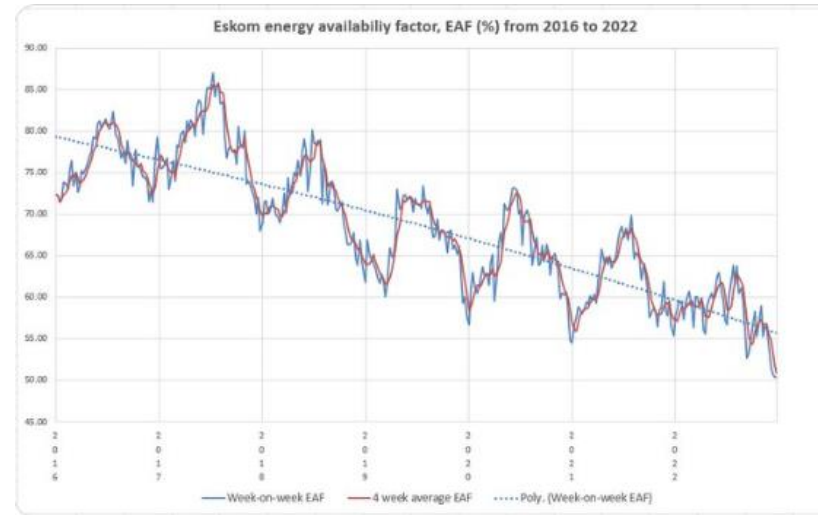


ECONOMIC GROWTH / INFRASTRUCTURE

PRASA Passenger no.

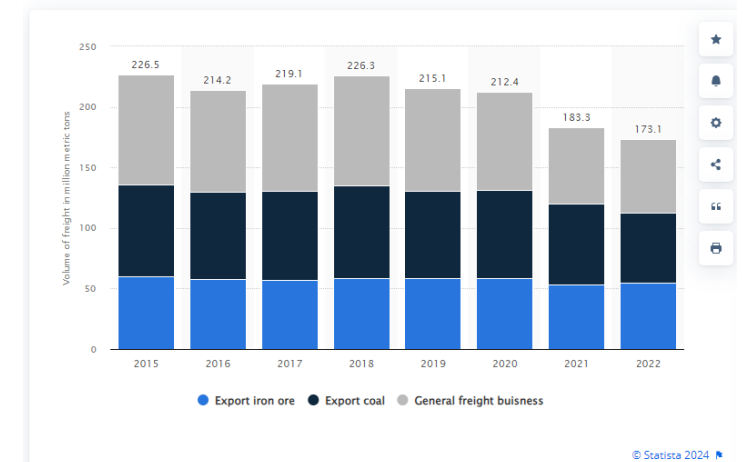


ESKOM



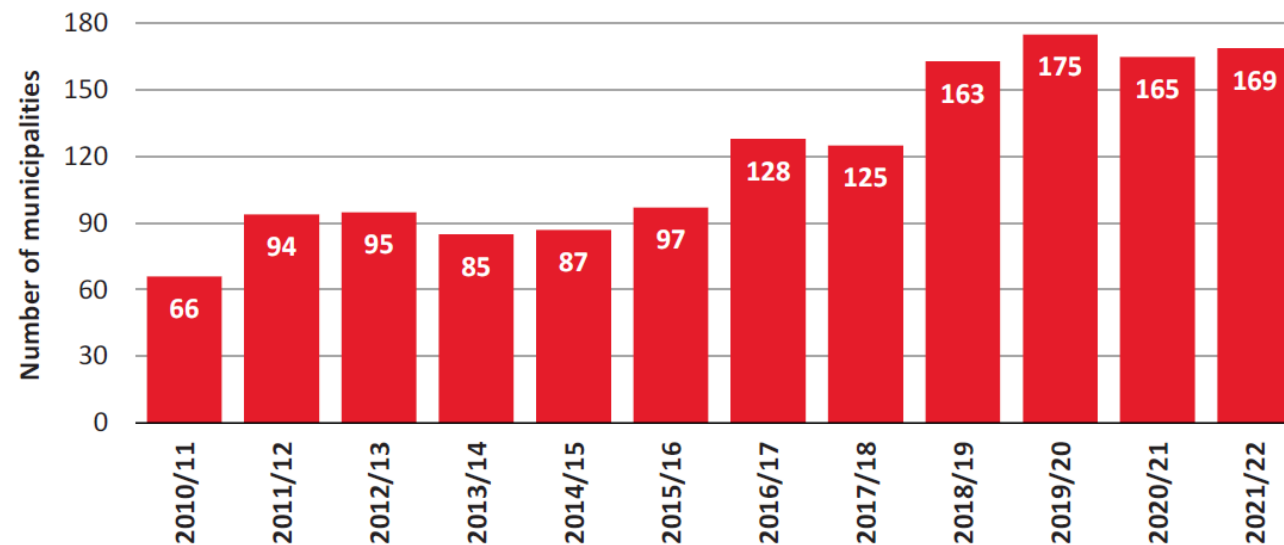
Transnet

Transnet SOC Ltd. total volume of freight from 2015 to 2022, (in million metric tons)



The National Treasury's 2022 *State of Local Government Finances* report found that 169 municipalities were in financial distress at the end of 2021/22. The report noted a continued pattern of deterioration: only 66 of the 257 municipalities had been in financial distress at the end of 2010/11. Revenue management was the most prevalent factor contributing to this financial distress.

Figure 6.1 Municipalities in financial distress



Source: National Treasury

ECONOMIC GROWTH / INFRASTRUCTURE



- ☐ Prioritise water infrastructure
- ☐ Accountability & value for money
- ☐ Review budget mix between OPEX/CAPEX

RECOMMENDATION

SAICA submission pg. 48

SAICA submission pg 43

REFLECTIONS

#SABudget_2024



Budget 2024

REFLECTIONS

#SABudget_2024

5. SARS Operating Model

SARS OPERATING MODEL

The National Treasury will continue to engage with SARS on its funding challenges. An additional amount of R500 million per year over the 2023 MTEF period was added to SARS' budget to fund its capital and information and communications technology projects. In addition, R1 billion was provided to SARS during the 2023 adjustments budget process to improve its revenue-raising capabilities. A further R1 billion per year in 2024/25 and 2025/26 is allocated to SARS depending on its ability to meet the set conditions.



We support and as a country need a SARS that is :

☐ Effective

☐ Efficient

☐ Fair

SARS OPERATING MODEL

- ❑ GRAP accrual accounting still not implemented since 2012
- ❑ SARS accountability and compliance with laws declining
- ❑ SARS service delivery levels to taxpayers and practitioners
- ❑ Tax base growth strategy

RECOMMENDATION

SAICA submission pg. 31

SAICA submission pg 32

SAICA submission pg 32

SAICA submission pg 33



Budget 2024

REFLECTIONS

#SABudget_2024

